

stability

high-impact value in Verenex

oil

1.5 billion barrels original oil-in-place

growth

26% growth in reserves per unit

VERMILION
ENERGY TRUST



\$159,000,

of unrecognized external equity in Verenex

5 years

of consistent cash distributions

120%

increase in cash distributions





you can see our
success

VERMILION
ENERGY TRUST



our 5-year compound average return

35.3%

our 5-year growth in production per unit

1 billion 26%

oil equivalent in place

our 5-year growth in reserves per unit

You can see our success in these impressive numbers: they outline the continuation of our top-quartile performance in 2007 and give you a glimpse of the future. Another important number that makes us a leading Canadian-based oil and gas trust is 4—Vermilion has international operations in 4 countries—Canada, France, Netherlands and Australia—each uniquely contributing to the Trust's success.

stability oil growth

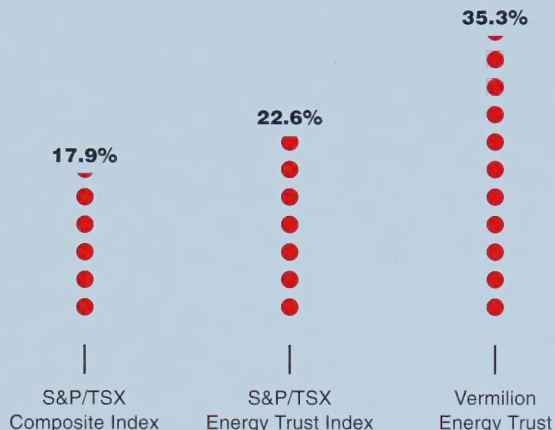
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The only conventional energy trust
to increase distributions in 2007



**president's
message**

**5-year composite average rate of return,
dividends reinvested for comparative purposes (%)**



Vermilion continues to provide **stability** for unitholders. Despite the current uncertainty in global markets and soft natural gas prices in North America, Vermilion has achieved **sector-leading growth**, a result of our **oil-weighted portfolio** of properties, value-driven strategy and conservative fiscal policies generating per-unit growth of our assets.

In 2007, oil prices remained strong worldwide, natural gas prices in North America continued to be weak and stock markets were volatile. While Vermilion achieved **new records in production and funds from operations** in 2007, the markets seemed more concerned with sub-prime loans, a pending U.S. recession and disconcerting government policies concerning income trusts in Canada and oil and gas royalties in Alberta. Nonetheless, Vermilion delivered **top-quartile total-return performance** in 2007 as well as for the past three-year and five-year periods. Including the reinvestment of distributions, Vermilion's compound average annual rate of return for the past five years has surpassed 35%.

The oil and gas industry has always been subject to a certain amount of volatility, driven by fluctuating commodity prices, uncertain government actions, competitive cost pressures and the inherent risk in locating and extracting a product miles below the earth's surface. Vermilion is proud to provide investors with a stability seldom seen in this sector. We have paid a constant stream of distributions to our unitholders for the past five years, and in December, we raised our distribution by 12%. Management is confident we can **maintain stable distributions at this new and higher level over the long term**.

Vermilion's stability stems not only from the high quality of our assets but also from our conservative fiscal practices. We have the lowest total payout ratio among all conventional Canadian energy trusts. We ensure our combined outlays, including net distributions, development capital programs and asset retirement expenditures, are less than our total funds from operations. Our **balance sheet is one of the strongest in the sector** with total net debt equal to approximately one year's trailing funds from operations. Additionally, within the next two years, we expect to capitalize on our significant **equity interest in Verenex Energy Inc.**

Vermilion also provides stability to its stakeholders by adhering to strong core values at all levels of the Trust. Vermilion's Board of Directors was acclaimed for excellence in governance practices that included board composition, compensation, shareholder rights, disclosure, accountability and total return performance. Vermilion **ranked #1** among all of Canada's income trusts in the *Globe & Mail's* annual Board Games survey. The Board also ranked in the **top 10** out of 275 companies reviewed in *Canadian Business Magazine's* annual governance survey.

The world demand for oil is ever increasing, while supply is beginning to stagnate. This has resulted in strong upward pressure on oil prices that bodes well for Vermilion. In 2007, approximately 75% of Vermilion's revenues were related to oil prices. The Trust's five largest oil pools held a combined original oil-in-place of approximately 1.5 billion barrels. These fields have produced 545 million barrels to date and have remaining booked reserves of only 59.8 million barrels. Therefore, the most interesting number is our remaining unbooked resource potential—nearly 900 million barrels of oil. If we were successful in achieving our goal of applying existing secondary and tertiary recovery technologies to increase recovery factors by only 5%, we would have an additional 75 million barrels of oil. Compared to Vermilion's total reserve base of 127.6 million barrels of oil equivalent, this potential increase would be significant.

The good news is that we own these reservoirs and know where to find the oil. Increasing the amount of oil that can be recovered from these pools is not a simple task; it requires applying improved technology, incremental capital, and patient and methodical processes. Vermilion continues to increase our commitment of resources and personnel to this project, which we expect will yield positive results for our unitholders over the long term.

While focused on oil, we are not ignoring natural gas. Pricing weakness in Canadian natural gas—markets combined with cost pressures and financial leverage—has left a number of producers in strained conditions. We find this is often the best time to acquire assets and are continuing to review some interesting opportunities. While the timing of a turnaround in North American natural gas markets remains uncertain, Vermilion has the financial strength and patience to buy these assets now and capture their value at the opportune time.

Vermilion has always focused on value creation rather than growth. So, it may surprise some investors that Vermilion's 26% growth in reserves per unit and 10% growth in production per unit over the past 5 years rank the second highest among our entire peer group of conventional energy trusts. Vermilion was the only conventional energy trust to increase distributions in 2007, a time when one-half of our peers reduced their distributions.

We increased our production in Canada, France and Australia in 2007. On the cost side, we are achieving targeted economies of scale in the 4 countries where we operate. We continue to identify organic growth opportunities in all our jurisdictions and are continuously evaluating acquisition candidates.

The past year did not come without challenges. Early in 2007, a tank failure at the Ambès terminal in France caused us to temporarily set aside a number of exciting opportunities on our newly acquired assets in that country. Our France team tackled this loss by putting into

place a successful and unprecedented trucking operation, thereby minimizing the production impact of this incident. Their efforts were a tribute to our respect for safety and the environment and our responsibility to all of our stakeholders.

During the summer, Vermilion drilled the Orca 1 well offshore France. This was the Trust's first operation of a major offshore project and its efficient implementation was a notable success. However, despite having properly identified a competent structure with all the positive characteristics of a good reservoir, the well was dry and abandoned. It was a worthwhile venture for our unitholders as this exploration opportunity had the potential to double our corporate reserves for a nominal after-tax cost.

In October, the Alberta Government announced a new royalty regime for the province. Combined with the federal government's ruling on income trusts a year earlier, investors have become increasingly unsettled in their view of energy opportunities in the Canadian market. Vermilion believes our balanced international assets, unlike the assets of many of our peers who operate solely in Canada, will provide investors with some shelter from both of these government initiatives.

To capitalize on the oil-weighted opportunities in our portfolio, Vermilion has shifted much of our development capital program for 2008 to our international assets. We look forward to building on the success of early drilling results in the Netherlands as we build a longer-term exploration and development plan. The planned drilling of two wells in the Australian Wandoo field in the third quarter of 2008 is expected to increase production in 2009. In France, we intend to pick up where we left off, as the Ambès pipeline is expected to return to service by mid-year and workover activities will resume with gusto. And while we may reduce our Canadian spending in 2008, we are evaluating some attractive acquisitions in this depressed environment.

Vermilion's leverage to oil prices, rich portfolio of assets, conservative value-creation business strategy and financial fortitude should continue to provide investors with the stability and growth you have come to expect from the Trust. I would like to thank all of Vermilion's dedicated employees and the Board of Directors for their efforts in striving for excellence and I would like to thank you, our unitholders for continuing to put your trust in our hands.



Lorenzo Donadeo
President & Chief Executive Officer
February 28, 2008

Vermilion's stability goes back to our beginning in 2003 when we established a clear vision and mission that has guided our creation of a sustainable business model with high-quality assets in 4 countries. Benchmarked against our peers, Vermilion's results are impressive: consistent top-quartile returns, high growth, high netbacks, a strong balance sheet, 5 consecutive years of positive total returns and the only trust without a year of negative performance. Plus, we have unrecognized value in Verenex Energy Inc.



5 years

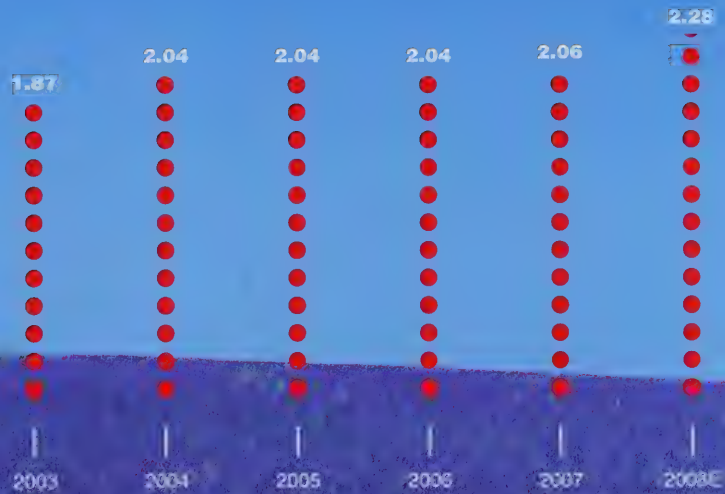
of consistent distributions

\$159,000,000

equity position in Verenex

Annual Distributions (\$ per unit)

In December 2007, Vermilion announced
a 12% increase in distributions



stability

Financial Strength: The Lowest Debt per Funds Flow Ratio among Our Peers

Stability begins with financial strength. Vermilion maintains a total payout, including net distributions, development capital and reclamation expenditures, that is less than funds from operations. We use our excess fund flows to reduce debt and strengthen our ability to finance future acquisitions.

Operational Expertise: Control over 90% of Production

Vermilion operates essentially all our international production and most of our Canadian volumes—we control our own destiny. Our expertise includes operating offshore platforms, major natural gas processing facilities, extensive waterfloods and unconventional gas.

Respected: Top Rankings for Board, Governance and Management

Vermilion strives for excellence in all of our business aspects. Our Board of Directors was recognized in 2 independent surveys as being one of the top boards in Canada. Management and employees are significant owners of the Trust, aligning their interest with that of unitholders.

Responsible: Best Reclamation Fund among Our Peers

Vermilion is committed to the safety of our operations and protection of the environment. We have set aside funds equal to more than 35% of the present value of our asset retirement obligations, ensuring our ability to meet future abandonment and reclamation requirements without impinging on distributions or capital reinvestment.

vision

To be recognized as the premier Canadian-based
international energy trust

mission

To consistently deliver superior rewards
for all of our stakeholders

core values

Excellence, Trust, Respect, Responsibility



Vermilion Establishes Verenex Energy Inc: 2004

In Libya's inaugural bid round, Verenex emerged as the successful bidder for Area 47, a 1.5 million-acre exploration tract in the Ghadames Basin. Among 120 applicants, Verenex was one of only 63 companies permitted to bid and the only Canadian company among the 12 winners.

Area 47 Geological and Geophysical Review: 2005

A data review provided by the Libyan National Oil Corporation indicated Verenex had an inventory of 25 prospects and leads, as well as 3 pre-existing discoveries on Area 47. Verenex launched its own extensive seismic program that virtually doubled the number of prospects.

Verenex Begins Libyan Drilling in September: 2006

Verenex began drilling its first Libyan well, launching an extensive drilling program that is expected to be ongoing for several more years. Vermilion continued its participation in Verenex's equity offerings and currently holds approximately 18.7 million shares representing just over 42% of the firm.

Seven Consecutive Discoveries: 2007

Verenex successfully completed each of its first 7 wells, 5 which have been flow tested at combined rates exceeding 75,000 barrels of oil per day. Subject to completion of appraisal programs, Verenex hopes to initiate commercial production by late 2009. A full independent assessment of Verenex's results is underway and the company continues to explore.

Value of Our Equity Interest in Verenex (\$millions)



**Verenex scores 7 large discoveries,
the first 5 tested 75,000 barrels of oil per day**

verenex

Based on Verenex's market price (VNX on the Toronto Stock Exchange), the value of our equity interest in the company has steadily risen since its inception in 2004. The graph shows the annual range of values based on the high, low and closing prices of Verenex. Based on the 2007 closing price, our share of Verenex was approximately \$159 million. Vermilion plans to capitalize on our interest in Verenex over the next 2 years, converting this investment into real, accretive assets for the Trust.

Oil represents approximately 60% of the Trust's reserves and production. However, because Vermilion's natural gas contracts in the Netherlands are highly correlated to oil product prices, over 75% of our total revenues are leveraged to oil. As you can see on the graph, Vermilion's 5 largest oil fields initially contained 1.5 billion barrels of original oil-in-place, of which almost 64% remains unrecovered. Only 59.8 million barrels of this unrecovered oil is included in our reserve estimates.

75%

of our revenue is leveraged to oil

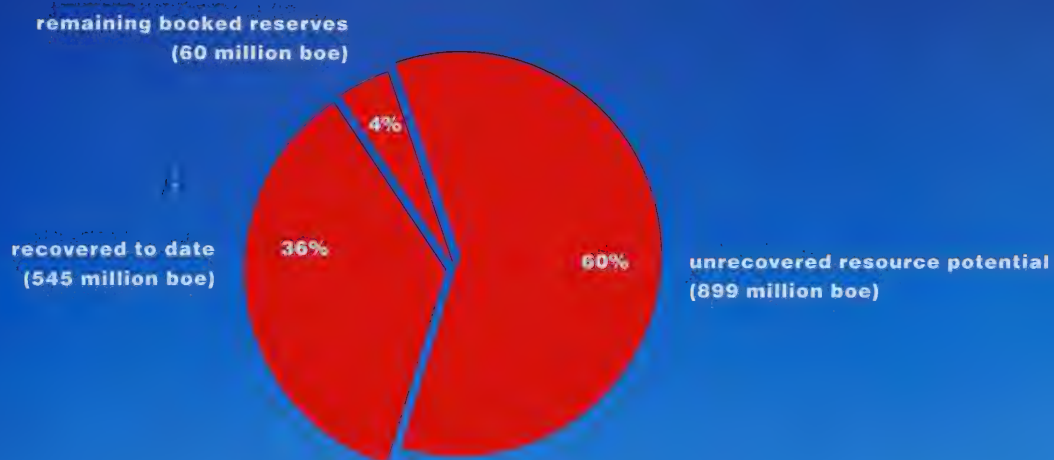
60%

of our production and reserves is oil



Original Oil-in-Place (% of 1,504 million boe)

Increasing recoveries could have
a significant impact on our reserves



Large Resource of Light Oil: Substantial for a Company Our Size

Vermilion's entire reserve base is 127.6 million barrels of oil equivalent—and one-half of this is in our top 5 oil fields. These 5 oil fields, which we acquired at the 'tail-end' of their lives from major, integrated oil companies, represent a substantial opportunity for Vermilion.

Increasing Reserves: Significant Potential from Higher Recoveries

Vermilion is exploring ways to capture more of the remaining oil in each of our unique reservoirs. Improving our extraction depends on a myriad of factors, all of which must clear our stringent economic hurdles. Even small enhancements in recovery have the potential to significantly boost reserves.

Exploitation: Moderate-Risk Engineered Approach

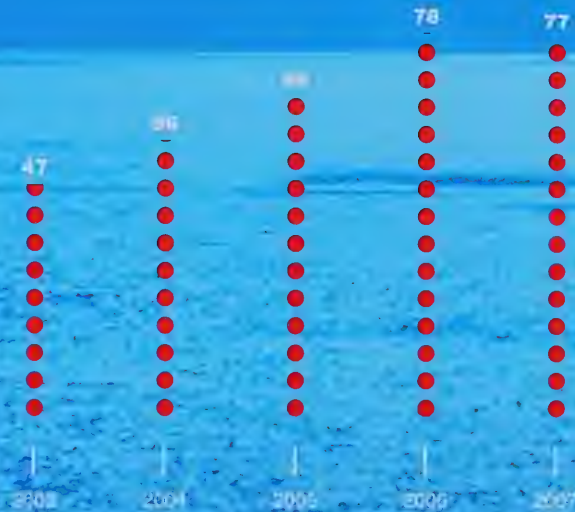
Vermilion's opportunity in the Netherlands is to capture value from the significant number of low-to-medium-risk exploration and development prospects for natural gas on our asset base. Through a balanced exploitation program, we hope to build on our reserves in this country.

Verenex: 100% Oil in Libya

In Libya, Vermilion is participating in a substantial light oil exploration program through our equity participation in Verenex. While we have exposed minimal capital in this venture, Verenex represents a significant value opportunity for Vermilion.

Revenue from Oil (% , includes Netherlands gas revenues)

Our oil-related revenue was 77% in 2007



Vermilion's natural gas contract in the Netherlands is associated with and highly correlated to oil product prices. Accordingly, as shown on the graph, Vermilion's leverage to oil prices is greater than 75%. In the fourth quarter of 2007, our average price for natural gas in the Netherlands was \$9.03 per mcf—compared with the average price in Canada of \$6.15 per mcf. With oil markets lightening globally, Vermilion's oil leverage should continue to work in our favour.

France: 98% Oil, Stable Long-Term Production

Vermilion's properties in France include 3 massive oil fields at Chaunoy, Cazaux and Parentis. We are focusing on increasing oil recovery from these fields to extend their reserve life. Our reserve life index in France is greater than 15 years, representing a core focus of Vermilion's operations and a stable source of our production.

Australia: 100% Oil with Potential to Capture 'Attic Oil'

We plan to drill 2 wells into the 'top' of the Wandoo Field in the second half of 2008. These wells are expected to increase oil production and ultimately enhance oil recovery from this reservoir. If these 2 wells are successful, we'll plan a more extensive redevelopment of this field.

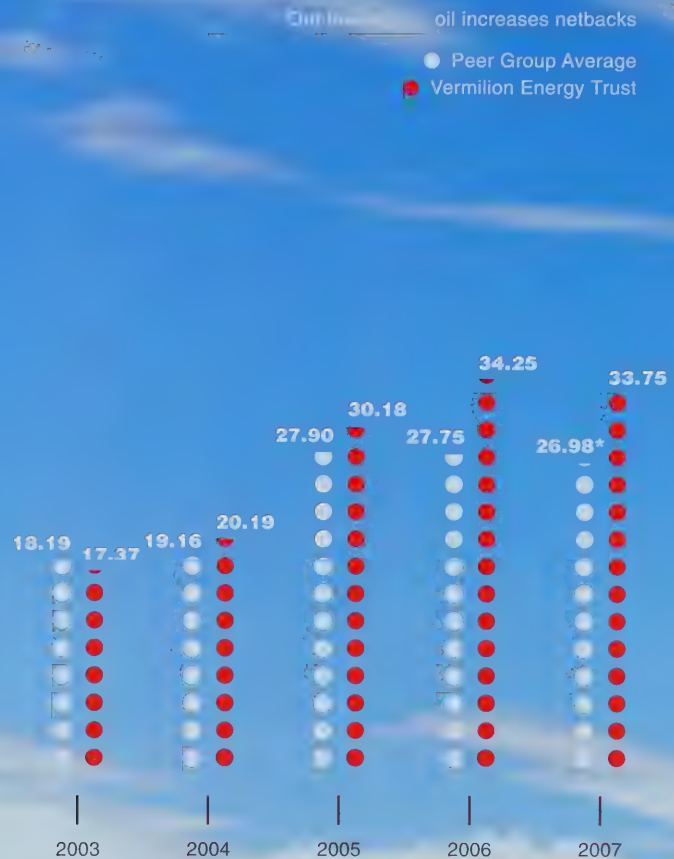
Canada: Extensive Gas (and Oil) Opportunities

Although the main focus of our Western Canadian operations is natural gas, the large Slave Point oil pool at Utikuma is one of our 5 largest oil pools and may be a candidate for enhanced oil recovery. Vermilion is continuing a comprehensive evaluation of all of our major oil pools.

Netherlands: Abundant Gas Prospects Leveraged to Oil Prices

We successfully drilled our first 3 wells in the Netherlands and potentially have as many as 30 additional prospects to evaluate over the next few years. In 2008, we will begin the permitting process for a number of prospects with drilling to recommence in 2009.

After-Tax Fund Flow Netback (\$ per boe)



* CIBC estimate

While Vermilion operates in 4 different countries, each with different tax obligations, we continue to enjoy higher after-tax netbacks than the average attained by our peer group. A big driver of this success is our leverage to high-value oil. Although oil prices were higher in 2007, our after-tax fund flow netback was slightly reduced from 2006 because of increased operating costs and the climbing Canadian dollar.

Vermilion's 5-year compound average return of 30.4% (before re-investment of distributions) is the second highest among our peer group. Our 3.7% return in 2007 outstripped the group's performance, which dipped to negative territory, averaging -3.1%. And as the graph shows, our reserve growth per trust unit is up 26% since 2003. As our proved plus probable reserves totalled 127.6 mmboe in 2007, indicating a reserve life index of 10.6 years.

30.4%

our 5-year compound average return

9.9%

**second highest production per unit
growth over 5 years**

Cumulative Reserve Growth Per Unit Debt, Adjusted (%)

An impressive record of growth and opportunities



growth

Worldwide: Leading Strengths in 4 Countries

Vermilion has been operating internationally since 1997 and enjoys a diverse geographic asset base rich with opportunity. Globally, our operational groups share and review their extensive experience to apply the best practices and our finance group mirrors the expertise of much larger multinational firms.

High-Quality Assets: Multi-Year Drilling Inventory

While we continue to seek attractive acquisitions, Vermilion has a substantial portfolio of assets that provide significant avenues for organic growth. With drilling prospects in all 4 countries where we operate, we believe we have only scratched the surface of our opportunities.

Netbacks: Top-Quartile for Operating and After-Tax

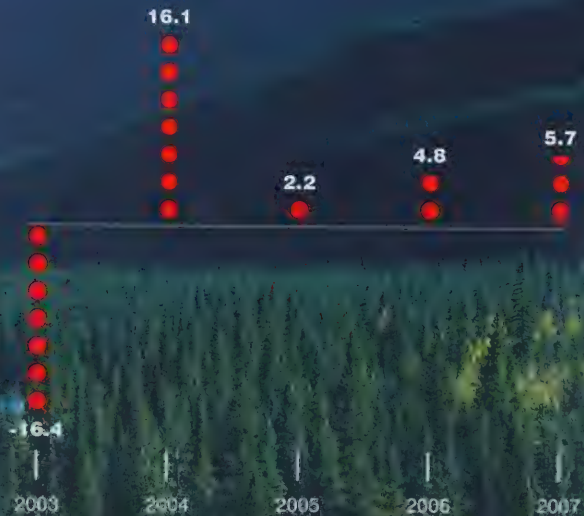
Vermilion's premier netbacks result from our focus on high-value assets. We operate a large number of wells and fields in 4 countries, yet achieve a cost structure equal to that of our peers operating in Western Canada. In foreign jurisdictions where we are taxable, we can allocate capital on a tax-efficient basis.

High-Impact Growth: Unique Opportunities

Vermilion continues to seek high-growth prospects and ventures that will add value for our unitholders. In alignment with the expectations of our investors, we will continue to ensure that capital risk is minimized.

Production Growth Per Unit (%)

One of few in our peer group with 2007 growth



Over the past 5 years, Vermilion delivered 9.9% growth in production per unit—top-quartile performance in our peer group. In 2007, our production grew to 31,326 barrels per day with the strongest gains in Australia, where oil production grew 59% to average 6,065 barrels per day and France, where production was up 13% to 8,809 boe per day of which 98% was oil.

2008 Plans: Budget Based on \$70 per Barrel Oil

The fear of a recession in the United States has been driving markets and causing investors to worry about a pullback in the price of oil to US\$70 per barrel. For Vermilion, a US\$70 oil price is our starting point and we believe we have a robust and dynamic business model at prices well below current market levels.

Competitive Advantage: International Assets

Cushion Royalty and Price Fluctuations

Weak natural gas prices in North America have severely eroded the profitability of many of our peers. In addition, recent pronouncements by the Alberta government to sharply increase royalty rates have added to investor malaise. Vermilion's strong leverage to oil, combined with our international operations, should provide significant reassurance to our unitholders.

Continuous Growth: Unitholders' Equity

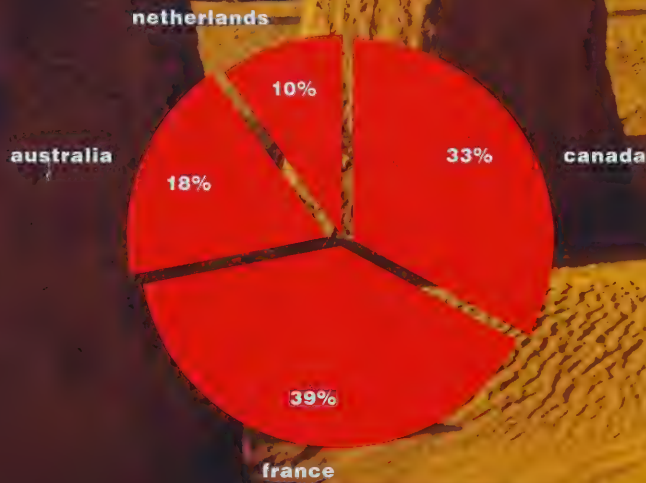
Vermilion converted to a trust in January 2003. Since then, we've been the only conventional Canadian energy trust to provide investors with positive annual returns each and every year. Our compound average rate of return is 30.4% without distribution reinvestment—an even more remarkable 35.3% with full reinvestment of distributions.

Beyond 2008: Long-Term Growth

Vermilion has successfully completed 5 years as an energy trust. We believe unitholders will continue to be drawn to investments that provide attractive yields and reasonable growth. Vermilion has assembled a portfolio of assets and a team of dedicated professionals to deliver on this investment model for years to come.

Reserves by Country, Proved Plus Probable (%)

Growth from a sustainable foundation
of high-quality assets



In France, we have large reserves of light oil with low-to-medium development risk. We have optimization opportunities in our Wandoo oilfield offshore Western Australia. In the Netherlands, we have attractive development opportunities for natural gas with strong, stable pricing and 30 prospects with natural gas resource potential ranging from 2 bcf to 186 bcf. In Canada, we have low-risk development in Drayton Valley, coalbed methane potential in central Alberta and oil opportunities at Utikuma.



core values

excellence

We aim for exceptional results in everything we do

trust

At Vermilion, we operate with honesty and fairness and can be counted on to do what we say we will

respect

We value our people and believe every employee and business associate worldwide deserves to be treated with the utmost dignity and respect

responsibility

Vermilion continually shows its commitment to the care of our people and environment and enrichment of the communities in which we live and work

canada Marian Aiello · Cathy Arcuri · Phuong Atton · Heidi Aulakh · Frank Barajas · Monica Baranec · Paul Beique · Darren Bellerose · Angela Beresh · Sandy Bilinski · Jennifer Bissonette · Brian Blondahl · Kristin Blyth Lefebvre · Leslie Bodell · Kris Boehmer · Heather Bosnak · Margaret Bowman · Dean Boyle · Laurie Bradford · Robby Braun · Shawna Braun · Robyn Broad · Stephen Brown · Gloria Burden · VimalChandra · Karen Civitaresse · Shauna Clarey · Andrea Cochrane · Jeremy Cosgrove · Leigh Cunes · Karen Curran · Jozef Czirjak · Neil Dawson · Sheila Deakin · Alida deBoer · Chantal Denis · Murray Diamond · Lorenzo Donadeo · Rob Donaldson · John Donovan · Dennis Dunsmore · Pamela Friesen · Richie Gair · Marlene Gouldie · Daniel Goulet · Trish Hall · Brian Halldorson · Brenda Hansford · Dean Hanson · Keith Hartman · Dion Hatcher · Megan Hayward · Bob Hehn · Colleen Hickey · Curtis Hicks · Brad Hooper · Cory Huska · Shane Hutchinson · Kory Hutton · Debra Iantkow · Steve Ironside · Evelyn Jantunen · Brady Jensen · Kris Johnson · Colleen Jonasson · Aurora Juan · Jeremy Kalanuk · Cheryl Kinzie · Kenton Klein · Miran Kozelj · Claudia Kylo · Vern Lalonde · Lila LaRouche · Janice Larson · Helen Lawless · Gain Leam · Wilson Lee · Michelle Lemieux · Alison Lerat · Anne Lerner · Bill Liutkus · Johanne Lortie · Pam Lyons · Bob Mac Dougall · Monty MacEwen · Tanis MacEwen · Conor Maclean · Clarence Malbeuf · Terry Manum · Wendy Matchett · Paul Mayland · Denise McGillis · Mary Meenagh · Colleen Miller · Glenn Montgomery · Justin Murray · Brenda Mychasiuk · Laurie Nashchuk · Carolyn Nicholls · Dave Oliphant · Raj Patel · Erin Paynter · Barb Pelland · David Penny · Helen Pham · Denis Poissant · Mike Prinz · Darren Proutx · Kia Pycz · Kevin Radomske · Reid Rauch · Daren Ree · Darcy Ries · Gerardo Rivera · Tim Robbie · Lori Rounce · Jag Sandhar · Marlen Sandoval · Rajan Sawhney · Gloria Saynor · Colin Scholze · Scott Seatter · Kristen Semmler · Chris Sharman · Alan Sharp · Julie Simard · Cindy Smith · Gord Snell · Loraine Sorochuk · Jens Stemo · Jodi Sutherland · Michelle Thoen · Dustin Thompson · Luke Trapnell · Jan Walker · Neil Wallace · Connie Webb · Blaine Wilson · Terry Wright · Tesfaye Yemane · Steven Zhuang

outstanding people

france Aline Astafieff · Jean-Philippe Azpiazu · Nathalie Azpiazu · Brigitte Barland · Laurent Barrière · Jean-Louis Bernede · Noëlle Beylac · Alexandre Bichot · Philippe Blanc · Francine Bollé · Alain Bourlard · Michel Braga · Jacky Brecy · David Burghardt · Patrick Caillot · Patrick Catala · Gérald Chamarac · Thomas Chauvet · Jean-Francois Chevalier · David Cowling · Hervé Degoul · Valérie Denonfoux · Thierry Dieudonné · Daniel Dubernet · Christelle Dupouy · Gilles Duviviers · Claude Engard · Pantxika Etcheverry · Ghislaine Faye · Sylvie Fénelor · Jean-Pierre Ferraguti · Sandra Finkel · Jacques François · Valérie Gaillard · Agnès Gaulin-Reed · Sylvie Gigot · Sabrina Gomes · Richard Gonzalez · Christophe Grégoire · Brian Groundwater · Michel Guet · Jean-Claude Hebert · Gérard Herran · Antoine Jimenez · Christophe Jourde · Véronique Juvet · Darcy Kerwin · Patrick Kwasniewski · Gilles Lafue · Josette Larroze · Marie-Christine Larrue · Pascal Lassus · Karine LenainThéron · Jocelyne Lesca · Christian Lopez · Dominique Marin · Dominique Mathiot · Patrick Monget · Kyle Murphy · Francis Murzeau · Jean-Marc Nadaud · François Nol · Thierry Oger · Jean-Marie Paris · Morgane Perriguet · Gilles Pieussergues · Fernand Plos · Denis Quessard · Michel Rembert · Sébastien Remigi · Francis Roux · André Sajgalik · André Sanchez · Didier Sentucq · Peter Sider · Jean-Pascal Simard · John Simpson · Julien Sirac · Michel Skoberne · Frédéric Tailler · Corinne Tarhan · Alain Thomas · Tomas Valéro · Dominique Vallet · Efe Vaxelaire · Sandrine Volpei · Djedid Yaala **netherlands** Kevin Brandsma · Gerben de Jong · Scott Ferguson · Robin Gerritsen · Humphrey Koopman · Bryce Kremnica · Casper Lensen · Jaap Meines · Jennifer Metthe · Stuart Morarty · Hendrik Postma · Manfred Steffens · Timo van Heerwaarden · Jan Veltman · Milko Verheijdt · W.S. (Bas) Visser **australia** Rufus Ashiedu · William (Bill) Āspin · Dolores (Dee) Bacanovic · Peter Bailey · Darren Banks · Michael Cant · Iain Cattanach · Bruce Angus (Gus) Cooper · Gloria (Leigh) Douglas · Rod Gibbons · Adrian Guthrie · Namek Jivan · Rachel Kikanda · Bruce Lake · Bruce Martin · Ronald (Wayne) Robbins · Stephen Smith · Brendan White

This is a non-GAAP presentation of our financial statements. For a copy of our audited financial statements, please refer to our public filings on www.sedar.com or contact our Investor Relations department by e-mailing investor_relations@vermilionenergy.com or phoning 403-231-1762.

	2003	2004	2005	2006	2007
Financial (Cdn\$ millions except as indicated) ¹					
Revenue	314.1	354.5	529.9	618.1	707.3
Royalties	(74.7)	(63.6)	(88.0)	(92.2)	(97.5)
Expenses	(211.3)	(243.9)	(245.7)	(337.6)	(403.3)
Earnings before income taxes, other items and discontinued operations	28.2	47.1	196.2	188.3	206.6
Income taxes (recovery)	(18.9)	(3.9)	24.8	26.5	24.7
Other items	4.3	3.6	13.0	14.9	17.6
Net earnings from continuing operations	42.7	47.4	158.5	146.9	164.3
Net earnings from continuing operations per unit, basic (\$)	\$ 0.80	\$ 0.79	\$ 2.57	\$ 2.30	\$ 2.48
Fund flows from operations	144.8	169.8	277.2	342.5	385.9
Fund flows from operations per unit, adjusted basic (\$) ²	\$ 2.47	\$ 2.57	\$ 4.07	\$ 4.86	\$ 5.28
Development capital expenditures	66.9	50.7	102.6	136.9	175.6
Business acquisitions	5.8	94.0	186.6	195.9	129.6
Cash distributions	98.9	122.6	126.2	130.6	136.4
Cash distributions per unit	\$ 1.87	\$ 2.04	\$ 2.04	\$ 2.04	\$ 2.06
Cash distributions as a percentage of fund flows from operations	68%	72%	46%	38%	35%
Total net distributions, capital expenditures, reclamation fund contributions and asset retirement costs incurred as a percentage of fund flow from operations	114%	117%	86%	77%	73%
Long-term debt (net of working capital)	141.2	88.0	244.9	354.8	416.9
Unitholders' equity	361.3	389.6	458.2	536.6	627.4
Reclamation fund	1.7	17.0	42.2	56.4	57.9
Units outstanding ²	64,694,185	66,628,642	68,875,321	71,251,256	74,271,031
Unitholders (number)					
Canada	10,096	14,504	15,873	19,726	24,822
Non-resident	1,957	9,326	11,183	9,250	9,387
Total	12,053	23,830	27,056	28,976	34,209
Percentage of units held by non-resident unitholders	33.0%	26.7%	28.9%	30.8%	27.4%
Closing unit price (\$)	\$ 15.34	\$ 20.12	\$ 29.74	\$ 35.00	\$ 34.23
Yield at beginning of the year (January 1)	17.4%	13.3%	10.1%	6.9%	5.8%
Total return to December 31	46.5%	44.5%	58.0%	24.5%	3.7%

¹ Results do not include Aventura Energy Inc. (2003) or Verenex Energy Inc. (2004-2005)

² Includes trust units issuable for outstanding exchangeable shares based on year-end exchange ratio

Operations	2003	2004	2005	2006	2007
Production					
Oil and NGLs (bbls/d)					
Canada	\$ 6,678	\$ 5,723	\$ 4,870	\$ 4,011	\$ 4,081
France	6,018	5,763	5,478	7,576	8,621
Netherlands	—	13	28	31	40
Australia	—	—	3,391	3,815	6,065
Total	12,696	11,499	13,767	15,433	18,807
Natural gas (mmcf/d)					
Canada	60.0	46.4	38.4	41.0	47.7
France	1.5	1.5	1.3	1.4	1.1
Netherlands	—	21.0	28.7	29.5	26.2
Australia	—	—	—	—	—
Total	61.5	68.9	68.4	71.8	75.1
Oil equivalent production (boe/d, natural gas converted at 6:1)					
Canada	16,671	13,453	11,268	10,843	12,038
France	6,271	6,018	5,695	7,800	8,809
Netherlands	—	3,519	4,812	4,943	4,413
Australia	—	—	3,391	3,815	6,065
Total	22,942	22,990	25,166	27,401	31,325
Operating netback (\$/boe, gas converted at 6:1)	2003	2004	2005	2006	2007
Price	\$ 39.90	\$ 43.21	\$ 57.94	\$ 61.80	\$ 61.86
Realized hedging gain (loss)	(2.38)	(3.73)	(4.46)	(0.02)	(0.25)
Royalties (net)	(8.92)	(7.54)	(9.54)	(9.22)	(8.53)
Transportation	(1.24)	(1.17)	(0.99)	(1.05)	(2.01)
Lifting cost	(6.11)	(6.63)	(7.89)	(9.65)	(10.45)
Operating netback	\$ 21.25	\$ 24.14	\$ 35.06	\$ 41.86	\$ 40.62
General and administration	(1.24)	(1.59)	(1.43)	(1.58)	(1.64)
Interest	(1.05)	(0.37)	(0.69)	(1.68)	(1.95)
Foreign exchange	(0.03)	0.04	(0.08)	(0.06)	(0.41)
Proceeds on sale of investments	—	—	—	—	0.11
Current and capital taxes	(0.59)	(2.03)	(2.71)	(4.29)	(2.98)
After-tax fund flow netback	\$ 18.34	\$ 20.19	\$ 30.18	\$ 34.25	\$ 33.75
Reserves proved plus probable oil equivalent (mmboe, gas at 6:1)					
Canada	46.2	42.0	45.1	45.3	42.4
France	38.3	35.7	35.4	50.0	49.7
Netherlands	—	15.3	14.1	12.9	12.4
Australia	—	—	16.2	15.1	23.1
Total	84.6	93.0	110.8	123.3	127.6
Reserve life index (proved plus probable, based on Q4 production)	10.8	10.6	11.4	11.5	10.6

Amounts may not total due to rounding

directors

Larry J. Macdonald ^{1,2,3,4,5}
Chairman & CEO, Point Energy Ltd.
Calgary, Alberta

W. Kenneth Davidson ^{2,3}
Toronto, Ontario

Lorenzo Donadeo
Calgary, Alberta

Claudio A. Ghersinich
Executive Director,
Carrera Investments Corp.
Calgary, Alberta

Joseph F. Killi ^{2,3}
Chairman, Parkbridge Lifestyle
Communities Inc.
Vice Chairman, Realex Properties Corp.
Calgary, Alberta

William F. Madison ^{2,4,5}
Sugar Land, Texas

¹ Chairman of the Board

² Audit Committee

³ Governance and Human Resources Committee

⁴ Health, Safety and Environment Committee

⁵ Independent Reserves Committee

annual and special meeting

Friday, May 2, 2008, 10:00 a.m.
The Grand Lecture Theatre
Metropolitan Centre
333 4th Avenue S.W.
Calgary, Alberta

officers and key personnel

canada

Lorenzo Donadeo, P.Eng.
President & Chief Executive Officer

John D. Donovan, F.C.A.
Executive Vice President
Business Development

Curtis W. Hicks, C.A.
Executive Vice President & CFO

G. R. (Bob) Mac Dougall, P.Eng.
Executive Vice President & COO

Keith D. Hartman, P.Eng.
Vice President Exploitation

Raj C. Patel, P.Eng.
Vice President Marketing

Paul L. Beique
Director Investor Relations

Daniel Goulet, P.Eng.
Director Production & Operations

Cheryl M. Kinzie
Director Human Resources &
Administration

Charles W. Berard, B.Eng., L.L.L., LL.B.
Partner, Macleod Dixon LLP
Corporate Secretary

france

Peter Sider, P.Eng.
Regional General Manager,
European Operations
Vermilion REP SAS

netherlands

Scott Ferguson, P.Eng.
General Manager
Vermilion Oil & Gas Netherlands B.V.

australia

Bruce D. Lake, P.Eng.
Managing Director
Vermilion Oil & Gas Australia Pty Ltd.

abbreviations

bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
mmboe	million barrels of oil equivalent
mmcf/d	million cubic feet per day
NGLs	natural gas liquids

auditors

Deloitte & Touche LLP
Calgary, Alberta

bankers

The Toronto-Dominion Bank
Calgary, Alberta

Bank of Montreal
Calgary, Alberta

BNP Paribas (Canada)
Toronto, Ontario

Royal Bank of Canada
Calgary, Alberta

The Bank of Nova Scotia
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

Fortis Capital (Canada) Ltd.
Calgary, Alberta

Société Générale (Canada Branch)
Calgary, Alberta

Citibank Canada
Calgary, Alberta

evaluation engineers

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

legal counsel

Macleod Dixon LLP
Calgary, Alberta

transfer agent

Computershare Trust Company of Canada

stock exchange listing

The Toronto Stock Exchange
Symbol: VET.UN

investor relations contact

Paul L. Beique
Director Investor Relations

head office

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forward-looking information

This document contains forward-looking financial and operational information including earnings, fund flow, unitholder distributions, debt levels, production, reserves, and capital expenditure projections. These projections are based on the Trust's expectations and are subject to a number of risks and uncertainties that could materially affect the results. These risks include, but are not limited to, future commodity prices, exchange rates, interest rates, geological risk, reserves risk, political risk, production demand, transportation restrictions,

risks associated with changes in tax, royalty and regulatory regimes and risks associated with international activities. Additional risks and uncertainties are described in the Trust's Annual Information Form, which is filed on SEDAR at www.sedar.com.

Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in the Trust's securities should not place undue reliance on these forward-looking statements. Forward-looking statements contained in this document are made as of the date hereof and are subject to

change. The Trust assumes no obligation to revise or update forward-looking statements to reflect new circumstances, except as required by law. Certain natural gas volumes have been converted on the basis of six thousand cubic feet of gas to one barrel equivalent of oil. Barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.



VERMILION
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AR91

outstanding
people

VERMILION
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Vermilion attracts exceptional employees, people with strong technical skills and creative vision who want to work in a highly collaborative and dynamic environment. They recognize our success is founded on strong core values supported by a spirited corporate culture. They know the diversity of Vermilion's operations provides unique challenges and exciting opportunities in a vibrant workplace. They are outstanding people managing strong assets—you can see their success.

A handwritten signature in black ink, appearing to read 'L. Donadeo', with a stylized, cursive script.

Lorenzo Donadeo

President & Chief Executive Officer

February 28, 2008

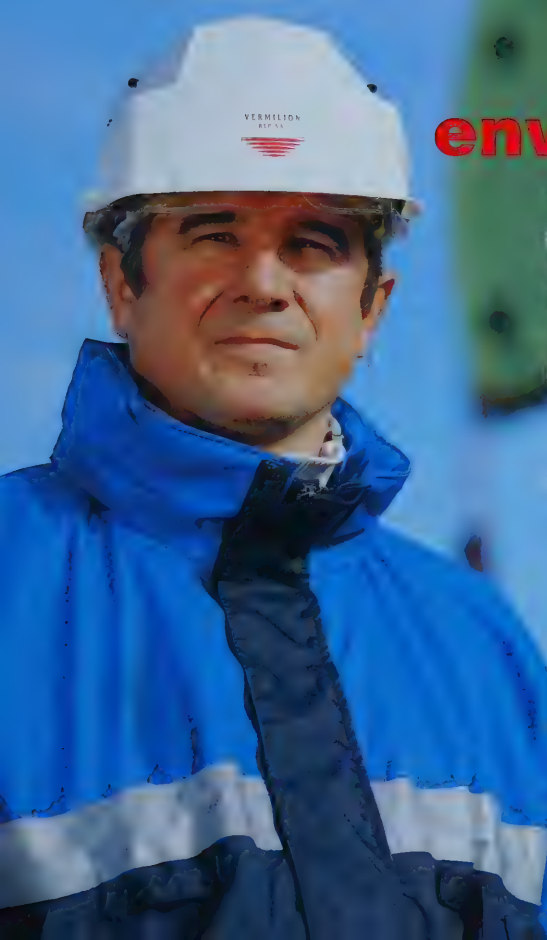
excellence

**We aim for exceptional results
in everything we do**



Marian Aiello · Cathy Arcuri · Phuong Atton ·
Heidi Aulakh · Frank Barajas · Monica Baranec ·
Paul Beique · Darren Bellerose · Angela Beresh · Sandy
Bilinski · Jennifer Bissonette · Brian Blondahl · Kristin Blyth
Lefebvre · Leslie Bodell · Kris Boehmer · Heather Bosnak · Margaret
Bowman · Dean Boyle · Laurie Bradford · Robby Braun · Shawna Braun ·
Robyn Broad · Stephen Brown · Gloria Burden · Vimal Chandra · Karen
Civitarese · Shauna Clarey · Andrea Cochrane · Jeremy Cosgrove · Leigh
Cunes · Karen Curran · Jozef Czihak · Neil Dawson · Sheila Deakin · Aida
deBoer · Chantal Denis · Murray Diamond · Lorenzo Donadeo · Rob Donaldson ·
John Donovan · Dennis Dunsmore · Pamela Friesen · Richie Gair · Marlene Gouldie ·
Daniel Goulet · Trish Hall · Brian Halldorson · Brenda Hansford · Dean Hanson ·
Keith Hartman · Dion Hatcher · Megan Hayward · Bob Hehn · Colleen Hickey · Curtis
Hicks · Brad Hooper · Cory Huska · Shane Hutchinson · Kory Hutton · Debra Iantkow ·
Steve Ironside · Evelyn Jantunen · Brady Jensen · Kris Johnson · Colleen Jonasson ·
Aurora Juan · Jeremy Kalanuk · Cheryl Kinzie · Kenton Klein · Miran Kozelj · Claudia Kylo
Vern Lalonde · Lila LaRouche · Janice Larson · Helen Lawless · Gain Learn · Wilson Lee
Michelle Lemieux · Allison Lerat · Anne Lerner · Bill Liutkus · Johanne Lortie · Pam Lyons
Bob MacDougall · Monty MacEwen · Tanis MacEwen · Conor Maclean · Clarence Malbeuf ·
Terry Manum · Wendy Matchett · Paul Mayland · Denise McGillis · Mary Meenagh ·
Colleen Miller · Glenn Montgomery · Justin Murray · Brenda Mychasiuk · Laurie Nashchuk
Carolyn Nicholls · Dave Oliphant · Raj Patel · Erin Paynter · Barb Pelland · David Penny
Helen Pham · Denis Poissant · Mike Prinz · Darren Proulx · Kia Pyrcz · Kevin Radomske
Reid Rauch · Daren Ree · Darcy Ries · Gerardo Rivera · Tim Robbie · Lori Rounce ·
Jag Sandhar · Marlen Sandoval · Rajan Sawhney · Gloria Saynor · Colin Scholze ·
Scott Seatter · Kristen Semmler · Chris Sharman · Alan Sharp · Julie Simard · Cindy
Smith · Gord Snell · Loraine Sorochnik · Jens Stemo · Jodi Sutherland · Michelle
Thoen · Dustin Thompson · Luke Trapnell · Jan Walker · Neil Wallace · Connie
Webb · Blaine Wilson · Terry Wright · Tesfaye Yemane · Steven Zhuang

canada



dynamic environment

Jean-Philippe Arriazu joined Vermillon as an operator in France in 1997. Just two years later, he was put in charge of the mechanical maintenance for the Agropolis Ecom.

"Over the years, Vermillon has offered me both personal and career opportunities."

"I am always conducting research for 'Sustainable Science.' Vermillon recognizes the commitment of their employees and gives them the chance to progress in their careers."

"Vermillon recognizes the commitment of their employees and gives them the chance to progress in their careers."

"Vermillon, a dynamic company with a clear vision, has shown me to lead the local scientific community."

"I have been able to lead the local scientific community."

"I have been able to lead the local scientific community."

"I have been able to lead the local scientific community."

"I have been able to lead the local scientific community."

"I have been able to lead the local scientific community."

Synchronizing opportunities

How do you get to live in
Joué du Sacarmon, France,
for 3 years? Unpacking
buses, Production Engineer
Kyle Murphy explains:

"While at U of C, I interned
at Vermilion in Drayton Valley
and Slave Lake, and when
traveling before my final year,
I checked out Vermilion's

operations in France. That
got me hooked. I thought how
phenomenal it would be to
work here, so when Vermilion
hired me in 2005, I indicated
this was a long-term goal.

Now I'm synchronizing
my work and life experiences
working with fantastic people
—and improving on the
functional French I learned
in Grade 9 in Quebec."





Aline Astaïeff · Jean-Philippe Azpiazu · Nathalie Azpiazu · Brigitte Barland ·
Laurent Barrière · Jean-Louis Bernède · Noëlle Beylac · Alexandre Bichot · Philippe
Blanc · Francine Bollé · Alain Boulard · Michel Braga · Jacky Brecy · David Burghardt ·
Patrick Caillot · Patrick Catala · Gerald Chamarac · Thomas Chauvet · Jean-François
Chevalier · David Cowling · Hervé Degoul · Valérie Denonfoux · Thierry Dieudonné ·
Daniel Dubernet · Christelle Dupouy · Gilles Duviviers · Claude Engard · Pantioka
Etcheverry · Ghislaine Faye · Sylvie Fénérol · Jean-Pierre Ferraguti · Sandra Finkel ·
Jacques François · Valérie Gaillard · Agnès Gaulin-Reed · Sylvie Gigot · Sabrina Gomes ·
Richard Gonzalez · Christophe Grégoire · Brian Groundwater · Michel Guet ·
Jean-Claude Hebert · Gérard Herran · Antoine Jimenez · Christophe Jourde · Veronique
Jouvet · Darcy Kerwin · Gilles Lafue · Josette Larroze · Marie-Christine Larue ·
Pascal Lassus · Karine Lenain-Théron · Jocelyne Lesca · Christian Lopez · Dominique
Marin · Dominique Mathiot · Patrick Monget · Kyle Murphy · Francis Murzeau · Jean-
Marc Nadaud · François Nol · Thierry Oger · Jean-Marie Paris · Morgane Perriguy ·
Gilles Pleussergues · Fernand Plos · Denis Quessard · Michel Rembert ·
Sébastien Remigi · Francis Roux · Andrès Sajgalik · André Sanchez · Didier
Sentucq · Peter Sider · Jean-Pascal Simard · John Simpson · Julien Sirac ·
Michel Skoberne · Frédéric Tailler · Corinne Tarhan · Alain Thomas · Tomas
Valéro · Dominique Vallet · Ete Vaxelaire · Sandrine Volpei · Djedid Yaala

france



satisfaction, energy and **excitement**

HSE (Health, Safety & Environment) Permitting Coordinator in the Netherlands. Manfred Böttgers joined Vermilion when the Trust bought the onshore assets of Total where he had worked for 12 years. "The excitement was in a new company this size entering the Netherlands. We've stabilized tail-end production, drilled 3 new wells (demonstrating our capabilities in a country with little onshore activity) and we're preparing for an exciting exploration program. Even our efforts converted into Vermilion's results and this provides me a high level of satisfaction. This job asks for a lot of energy but in fact it provides me energy."

trust

**At Vermilion, we operate with honesty
and fairness and can be counted on to
do what we say we will**

respect

**We value our people and believe every employee
and business associate worldwide deserves to be
treated with the utmost dignity and respect**



Kevin Brandsma · Gerben de Jong · Scott Ferguson · Robin Gerritsen · Humphrey
Koopman · Bryce Kremnica · Casper Lensen · Jaap Meines · Jennifer Metthe ·
Stuart Morarty · Hendrik Postma · Manfred Steffens · Tirno van Heerwaarden
· Jan Veltman · Milko Verheijdt · W.S. (Bas) Visser

netherlands



financial **fortitude**

"I work with great people in a well-managed trust with financial fortitude, which in my mind are the most important things to make any company successful," says Lorenna Somchuk, Supervisor, Corporate Planning and Analysis. "People here are co-operative, technically strong, open to new ideas and change-savvy," she says, citing the newly introduced operational reporting system as an example. "We're successful because a lot of research and analysis goes into making decisions that are value-added, responsible and ethical. Through my work at Vermilion, I have been given the opportunity to have a direct impact on the Trust's underlying success."

freedom and accountability

From Concept to Commission in 12 Months was the title of a paper Rufus Ashiedu, Operations Manager of the Wandoo Field, presented in Australia based on the project to increase capacity on Vermilion's offshore platform. "The Company offers the right environment for you to be your best. You have freedom balanced with accountability to run your project or operations," says Rufus. "A definite plus is the high level of interaction with Bob, Keith and the Calgary technical team, which includes phone/video-conferencing about 3 times a week. Decisions are transparent and pragmatic, there's no ambiguity and no gold-plating—management is after the good of the business and that is very encouraging."





Rufus Ashiedu · William (Bill) Aspin · Dolores (Dee) Bacanovic · Peter Bailey ·
Darren Banks · Michael Cant · Iain Cattanach · Bruce Angus (Gus) Cooper ·
Gloria (Leigh) Douglas · Rod Gibbons · Adrian Guthrie · Namek Jivan ·
Rachel Kikanda · Bruce Lake · Bruce Martin · Ronald (Wayne) Robbins ·
Stephen Smith · Brendan White

australia

responsibility

Vermilion continually shows its commitment to the care of our people and environment and enrichment of the communities in which we live and work

The Vermilion Way Home Fund

The Vermilion Way Home Fund, developed in 2007, is a strategic approach to investing that exemplifies the Vermilion way—taking leadership, embracing responsibility and achieving excellence. The Fund supports community-based charitable and not-for-profit initiatives that address poverty and homelessness. Our first major initiative was a 5-year \$2.5 million commitment to the Vermilion/YWCA Skills Training Centre in Calgary to provide individuals—primarily women facing barriers—with skills development training leading directly to long-term employment.

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